

**MUNISING PUBLIC SCHOOLS
MUNISING, MICHIGAN**

**FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

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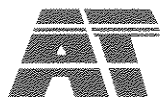
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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

INDEPENDENT AUDITORS' REPORT

Board of Education
Munising Public Schools
Munising, Michigan 49862

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Munising Public Schools, Munising, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Munising Public Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Munising Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Munising Public Schools, as of June 30, 2007, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2007, on our consideration of the Munising Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 32 and 33, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Munising Public Schools
Munising, Michigan 49862

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Munising Public Schools' basic financial statements. The combining and individual fund financial statements and schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLC
Certified Public Accountants

September 14, 2007

Munising Public Schools

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Munising Public Schools financial performance provides an overview of the School District's financial activities for the year ended June 30, 2007. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net assets for Munising Public Schools as a whole were reported at \$1,513,969 comprised of 100% governmental activities.
- During the year, Munising Public Schools expenses were \$8,078,108, while revenues from all sources totaled \$8,385,528, resulting in an increase in net assets of \$307,420.
- The general fund reported an increase of \$109,442 before other financing sources (uses). This is \$61,241 greater than the forecasted increase of \$48,201. This was a result of revenues being \$7,727 higher and expenses being \$53,514 lower than forecasted, both of which are immaterial when compared with budgeted revenues of \$7,233,618 and budgeted expenditures of \$7,185,417.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Munising Public Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds – the General Fund and Debt Service Fund, with all other funds presented in one column as non-major funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the Munising Public Schools as a whole begins on page 7. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our

Management's Discussion and Analysis (Unaudited) (Continued)

students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on page 9. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes.

- *Governmental Funds* – Most of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2007 and 2006:

Table 1		
Net Assets		
	Governmental Activities – 2007	Governmental Activities – 2006
Current and other assets	\$ 3,287,723	\$ 3,423,995
Non-current assets	4,584,692	4,790,992
Total Assets	7,872,415	8,214,987
Current liabilities	984,956	1,201,634
Long-term liabilities	5,373,490	5,806,804
Total Liabilities	6,358,446	7,008,438

Management's Discussion and Analysis (Unaudited) (Continued)

	Governmental Activities – 2007	Governmental Activities – 2006
Net Assets:		
Invested in capital assets, net of related debt	\$ (144,659)	\$ (631,079)
Restricted	188,631	335,052
Unrestricted	1,469,997	1,502,576
Total Net Assets	<u>\$ 1,513,969</u>	<u>\$ 1,206,549</u>

The School District's net assets were \$1,513,969 at June 30, 2007. Capital assets, net of related debt totaling \$(144,659), compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$1,469,997 was unrestricted.

The \$1,469,997 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2007 and 2006.

Table 2
Change in Net Assets

	Governmental Activities – 2007	Governmental Activities – 2006
Revenues		
Program revenues:		
Charges for services	\$ 262,331	\$ 258,195
Operating grants and contributions	1,167,474	939,559
Capital grants and contributions	-	-
General revenues:		
Property taxes	2,030,798	1,913,195
State sources not restricted to specific program	4,690,164	5,022,676
Investment earnings	138,091	133,788
Miscellaneous	96,670	40,644
Total Revenues	<u>8,385,528</u>	<u>8,308,057</u>
 Program Expenses:		
Instruction	4,173,581	4,116,081
Supporting services	2,776,360	2,734,039
Payments to other governmental agencies	-	7,607
Facilities acquisitions	33,074	7,140
Food service activities	304,464	295,320
Athletic activities	178,447	168,347
Public Library activities	70,052	65,627
Interest on retirement of debt	181,900	259,894
Depreciation – unallocated	360,230	393,696
Total Expenses	<u>8,078,108</u>	<u>8,047,751</u>
Increase (decrease) in net assets	307,420	260,306
Net assets, beginning	1,206,549	946,243
Net Assets, Ending	<u>\$ 1,513,969</u>	<u>\$ 1,206,549</u>

Management's Discussion and Analysis (Unaudited) (Continued)

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$8,078,108. Certain activities were partially funded from those who benefited from the programs \$262,331 or by other governments and organizations that subsidized certain programs with grants and categoricals \$1,167,474. We paid for the remaining "public benefit" portion of our governmental activities with \$2,030,798 in taxes, \$4,690,089 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets for the year of \$307,420.

Key reasons for the change in net assets were as follows:

- Net decrease in governmental fund balances of \$(169,295).
- Depreciation charged to expense of \$(360,230).
- Purchase of capital assets in the amount of \$158,593.
- Principal payment on debt in the amount of \$645,000.
- Other miscellaneous transactions of \$43,057, amortization of refunding bond transactions.
- Change in compensated absences \$(9,705).

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Table 3		
Governmental Activities		
	Total Cost Of Services	Net Cost Of Services
Instruction	\$ 4,173,581	\$ 3,164,423
Supporting services	2,776,360	2,776,360
Food service activities	304,464	10,516
Interest on retirement of debt	181,900	181,900
Athletic activities	178,447	124,986

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$2,702,767, a decrease \$(169,295) from the beginning of the year.

The decrease of \$169,295 in the combined fund balance is the net effect of a decrease in the General Fund Balance of \$12,044 and a decrease in the Debt Fund Balance of \$146,421 and a decrease in the non-major fund balances of \$10,830. The decrease in the Debt Fund is due to the reduction in the resources necessary for the payment of general long-term debt principal, interest, and related costs for the 1978 Serial Bonds. The final payments from this investment were made during the 2006-07 fiscal year to pay the remaining debt for the 1978 Bonds.

Management's Discussion and Analysis (Unaudited) (Continued)

General Fund Budgetary Highlights

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased \$169,718, which is an immaterial increase compared to the original budget.
- The most significant increase was to local revenue. The Shingleton School Building was sold which increased local revenues by \$47,430 and the District received approximately \$40,000 in additional special education payments from Marquette-Alger RESA. Property tax revenues also increased, by a larger percentage than estimated, which accounts for approximately \$49,000 of the increase in local sources. The remainder of the increase came from additional contributions from the Sault Ste. Marie Tribe of Chippewa Indians and additional investment interest.

Expenditures were increased by the Board of Education to cover upgrades to the high school heating system and gymnasium lighting. The Board approved the excavation of the track in preparation for resurfacing. The Added Needs expenditures were also increased due to increases in grant funding. The district purchased additional texts and contracted with a company to inventory and dispose of chemicals in the buildings. The most costly budget amendment was the addition of an additional 5th grade teacher. The class sizes in the 5th grade increased significantly over the summer, resulting in the Board's decision to add another 5th grade classroom.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007 and 2006, the School District had \$4,544,666 and \$4,746,303, respectively, invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below)

Table 4		
Capital Assets at Year-End (net of depreciation)		
	2007	2006
Land	\$ 167,626	\$ 167,626
Land improvements	95,261	79,515
Buildings	3,611,707	3,787,046
Equipment	434,067	509,238
Vehicles and buses	213,519	202,878
Construction-in-progress	22,486	-
Totals	<u>\$ 4,544,666</u>	<u>\$ 4,746,303</u>

The reduction in capital assets from 2006 to 2007 was mainly due to the depreciation of buildings and equipment.

We anticipate capital additions for the 2007-2008 fiscal year will be comparable to the 2006-2007 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Management's Discussion and Analysis (Unaudited) (Continued)

Debt

At June 30, 2007 and 2006, the School District had bonds outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2007	Governmental Activities – 2006
General obligation bonds	\$ 4,319,754	\$ 4,964,754

There were no new additions or long-term debt in this fiscal year. We present more detailed information about our long-term debt in the notes in the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2008 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2008 fiscal year budget was adopted in June 2007, based on an estimate of students that will be enrolled in September 2007. Approximately 83 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2007-2008 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2008 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

Uncertainty about the amount of State revenues has a negative impact on financial planning. The District is often several months into its new fiscal year before the State revenue levels are finalized.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Munising Public Schools, 411 Elm Street, Munising, Michigan 49862.

Munising Public Schools

Statement of Net Assets

June 30, 2007

	Governmental Activities
<hr/>	
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,280,511
Investments	-
Receivables:	
Accounts receivable	944,898
Delinquent property taxes	-
Due from other governmental units	-
Inventories	50,169
Prepaid expense	12,145
TOTAL CURRENT ASSETS	<hr/> 3,287,723 <hr/>
Non-current assets:	
Unamortized bond issue costs	40,026
Land and construction in progress	167,626
Capital assets	12,727,478
Less accumulated depreciation	(8,350,438)
TOTAL NON-CURRENT ASSETS	<hr/> 4,584,692 <hr/>
TOTAL ASSETS	<hr/> 7,872,415 <hr/>
LIABILITIES	
Current liabilities:	
Accounts payable	45,874
Accrued liabilities	533,931
Deferred revenue	5,151
Current portion of long term debt obligations	400,000
TOTAL CURRENT LIABILITIES	<hr/> 984,956 <hr/>
Non-current liabilities:	
Non-current portion of employee benefit obligations	1,044,139
Non-current portion of long term debt obligations	3,919,754
Deferred gain and premium on refunding bonds	409,597
TOTAL NON-CURRENT LIABILITIES	<hr/> 5,373,490 <hr/>
TOTAL LIABILITIES	<hr/> 6,358,446 <hr/>
NET ASSETS:	
Invested in capital assets, net of related debt	(144,659)
Restricted:	
Debt Service	188,631
Unrestricted	1,469,997
TOTAL NET ASSETS	<hr/> \$ 1,513,969 <hr/>

The accompanying notes are an integral part of these financial statements.

Munising Public Schools

Statement of Activities

For the Year Ended June 30, 2007

Function / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Operating Grants and Contributions	
Governmental Activities:					
Instruction	\$ 4,173,581	\$ -	\$ 1,009,158	\$ -	\$ (3,164,423)
Supporting services	2,776,360	-	-	-	(2,776,360)
Payments to other governmental agencies	-	-	-	-	-
Facilities acquisitions	33,074	-	-	-	(33,074)
Food service activities	304,464	135,632	158,316	-	(10,516)
Athletic activities	178,447	53,461	-	-	(124,986)
Public library activities	70,052	73,238	-	-	3,186
Interest on retirement of debt	181,900	-	-	-	(181,900)
Depreciation - unallocated	360,230	-	-	-	(360,230)
TOTAL GOVERNMENTAL ACTIVITIES	8,078,108	262,331	1,167,474	-	(6,648,303)
General revenues:					
Taxes					
Property taxes, levied for general purposes					1,342,264
Property taxes, levied for debt services					688,534
Federal and State aid not restricted to specific purposes					
General					4,690,164
Interest and investment earnings					138,091
Miscellaneous					96,670
Transfers					-
TOTAL GENERAL REVENUES					6,955,723
CHANGES IN NET ASSETS					307,420
Net Assets , July 1					1,206,549
NET ASSETS, JUNE 30					\$ 1,513,969

The accompanying notes are an integral part of these financial statements.

Munising Public Schools

Governmental Funds

Balance Sheet

June 30, 2007

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 2,227,979	\$ 186,283	\$ -	\$ 2,414,262
Investments	-	-	-	-
Receivables:				
Accounts receivable	924,666	2,348	17,884	944,898
Delinquent property taxes	-	-	-	-
Due from other funds	-	-	124,986	124,986
Due from other governmental units	-	-	-	-
Inventories	44,265	-	5,904	50,169
Prepaid expense	12,145	-	-	12,145
TOTAL ASSETS	<u>\$ 3,209,055</u>	<u>\$ 188,631</u>	<u>\$ 148,774</u>	<u>\$ 3,546,460</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Cash overdrafts	\$ -	\$ -	\$ 133,751	\$ 133,751
Accounts payable	43,716	-	2,158	45,874
Accrued liabilities	533,931	-	-	533,931
Due to other funds	124,986	-	-	124,986
Deferred revenue	5,151	-	-	5,151
TOTAL LIABILITIES	<u>707,784</u>	<u>-</u>	<u>135,909</u>	<u>843,693</u>
FUND BALANCES:				
Designated for:				
School service activities	-	-	4,386	4,386
Athletic activities	-	-	-	-
Public Library activities	-	-	8,479	8,479
Retirement of debt	-	188,631	-	188,631
Future state aid adjustments	100,000	-	-	100,000
Unreserved:				
Undesignated	2,401,271	-	-	2,401,271
TOTAL FUND BALANCES	<u>2,501,271</u>	<u>188,631</u>	<u>12,865</u>	<u>2,702,767</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,209,055</u>	<u>\$ 188,631</u>	<u>\$ 148,774</u>	<u>\$ 3,546,460</u>

The accompanying notes are an integral part of these financial statements.

Munising Public Schools

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2007

Total Fund Balances for Governmental Funds	\$	2,702,767
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	12,895,104	
Accumulated depreciation	<u>(8,350,438)</u>	
		4,544,666

Unamortized bond issue costs are not financial resources and therefore are not reported in the funds	40,026
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Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:

Bonds payable - current	400,000	
Bonds payable - long term	3,919,754	
Deferred premium on refunding bonds	283,730	
Deferred gain on refunding bonds	125,867	
Employee benefits payable	<u>1,044,139</u>	
		(5,773,490)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$</u>	<u>1,513,969</u>
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The accompanying notes are an integral part of these financial statements.

Munising Public Schools

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2007

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
REVENUES:				
Property taxes	\$ 1,342,264	\$ 688,534	\$ -	\$ 2,030,798
Federal sources	319,342	-	137,109	456,451
State Aid	5,040,943	-	21,207	5,062,150
Local sources	435,707	-	262,331	698,038
Interest	103,089	35,002	-	138,091
TOTAL REVENUES	<u>7,241,345</u>	<u>723,536</u>	<u>420,647</u>	<u>8,385,528</u>
EXPENDITURES:				
Current:				
Instruction	4,178,876	-	-	4,178,876
Supporting services	2,884,138	-	-	2,884,138
Payments to other governmental agencies	-	-	-	-
Facilities acquisitions	68,889	-	-	68,889
Food service activities	-	-	304,464	304,464
Athletic activities	-	-	178,447	178,447
Public Library activities	-	-	70,052	70,052
Debt Service:				
Principal	-	645,000	-	645,000
Interest	-	219,925	-	219,925
Other	-	5,032	-	5,032
TOTAL EXPENDITURES	<u>7,131,903</u>	<u>869,957</u>	<u>552,963</u>	<u>8,554,823</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>109,442</u>	<u>(146,421)</u>	<u>(132,316)</u>	<u>(169,295)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>(121,486)</u>	<u>-</u>	<u>121,486</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(121,486)</u>	<u>-</u>	<u>121,486</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(12,044)</u>	<u>(146,421)</u>	<u>(10,830)</u>	<u>(169,295)</u>
Fund Balance, July 1	<u>2,513,315</u>	<u>335,052</u>	<u>23,695</u>	<u>2,872,062</u>
FUND BALANCE, JUNE 30	<u><u>\$ 2,501,271</u></u>	<u><u>\$ 188,631</u></u>	<u><u>\$ 12,865</u></u>	<u><u>\$ 2,702,767</u></u>

The accompanying notes are an integral part of these financial statements.

Munising Public Schools

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities**

For the Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ (169,295)
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	\$	(360,230)	
Capital outlays - facilities acquisition		35,815	
Capital outlays - supporting services		107,778	
Capital outlays - instruction		15,000	
		(201,637)	(201,637)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.

-

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

645,000

Unamortized bond issue costs are reported as expenditures in the governmental funds when incurred. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities.

(4,663)

Deferred gain on refunding bonds is reported in the governmental funds when incurred. However, for governmental activities those gains are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities.

14,664

The premium on refunding bonds is reported in the governmental funds when incurred. However, for governmental activities those gains are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities.

33,056

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(9,705)

Change in Net Assets of Governmental Activities

	\$ 307,420
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The accompanying notes are an integral part of these financial statements.

Munising Public Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2007

	<u>Totals</u>
ASSETS:	
Cash and cash equivalents	\$ 132,262
TOTAL ASSETS	<u>\$ 132,262</u>
LIABILITIES:	
Due to groups, organizations and activities	\$ 132,262
TOTAL LIABILITIES	<u>\$ 132,262</u>

The accompanying notes are an integral part of these financial statements.

MUNISING PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A – THE FINANCIAL REPORTING ENTITY:

The School District operates under an elected Board of Education of seven (7) members, which are elected across the District to establish programs and policies.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the financial position of the Munising Public Schools, Alger County. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based upon the application of these criteria, the financial statements of the Munising Public Schools contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund and Debt Service Fund as its major governmental funds in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

General Fund – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The special revenue funds for the Munising Public Schools are the Food Service, Athletics and Public Library Funds.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

Basis of Accounting

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the fiduciary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventories recorded in the General Fund consist of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of \$5,151 in the General Fund for grant funding that has been received but is unearned.

Equity Classification

District-Wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted Net Assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity, and are classified as either program revenue or general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property Taxes

Property taxes are levied on July 1 and December 1, on behalf of the District by various taxing units and are payable without penalty by September 30 and February 28. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year.) Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of June 30, 2007, the District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Government
Cash and equivalents	\$2,280,511	\$132,262	\$2,412,773
Investments	-	-	-
	<u>\$2,280,511</u>	<u>\$132,262</u>	<u>\$2,412,773</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. State law does not require and the School does not have a deposit policy for custodial credit risk. The carrying amounts of the School's deposits with financial institutions were \$2,412,773 and the bank balance was \$2,566,997. The bank balance is categorized as follows.

Amount of Petty Cash	\$665
Amount insured by the FDIC	200,000
Amount uncollateralized and uninsured	2,366,332
	<u>\$2,566,997</u>

Investments

As of June 30, 2007, the District had no investment activity.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The District has no investment policy that would further limit its investment choices. Ratings are not required for the District's investment in Treasury Notes. The District's investments are in accordance with statutory authority.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

NOTE D – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2007 is as follows:

	Governmental Activities
Accrued wages	\$ 360,910
MESSA payable	113,581
Accrued fringes	59,440
	<u>\$ 533,931</u>

NOTE E – LONG-TERM OBLIGATIONS:

A summary of long-term obligations at June 30, 2007, and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
1978 Serial Bonds	\$ 250,000	\$ -	\$ 250,000	\$ -
School Improvement Bonds – Series 1998	54,754	-	-	54,754
2005 Refunding Bonds	4,660,000	-	395,000	4,265,000
Subtotal	4,964,754	-	645,000	4,319,754
Employee Benefits	1,034,434	9,705	-	1,044,139
TOTAL LONG-TERM DEBT	\$ 5,999,188	\$ 9,705	\$ 645,000	\$ 5,363,893

School Improvement Bonds

	May 15		
School Year	Interest	Principal	Total
2007-2008	\$ -	\$ -	\$ -
2008-2009	1,351	5,161	6,512
2009-2010	1,106	5,406	6,512
2010-2011	848	5,664	6,512
2011-2012	11,444	32,308	43,752
2012-2013	296	6,215	6,511
Totals	\$ 15,045	\$ 54,754	\$ 69,799

The School Improvement Bonds, Series 1998 (\$92,731) dated November 24, 1998 mature annually on May 15 with interest at a rate of 4.76% per annum. The only revenue source for making the debt service payment on these School Improvement Bonds is an annual appropriation from the State of Michigan.

2005 Refunding Bonds**June 30, 2007**

		May 1		
School Year	November 1 Interest	Interest	Principal	Total
2007-2008	\$ 97,525	\$ 97,525	\$ 400,000	\$ 595,050
2008-2009	92,525	92,525	410,000	595,050
2009-2010	86,375	86,375	425,000	597,750
2010-2011	75,750	75,750	445,000	596,500
2011-2012	64,625	64,625	470,000	599,250
2012-2013	52,875	52,875	490,000	595,750
2013-2014	40,625	40,625	515,000	596,250
2014-2015	27,750	27,750	540,000	595,500
2015-2016	14,250	14,250	570,000	598,500
Totals	\$ 552,300	\$ 552,300	\$4,265,000	\$ 5,369,600

NOTE E – LONG-TERM OBLIGATIONS:

On February 2, 2005, the District issued \$4,990,000 in General Obligation Bonds with an average interest rate of 3.75% to advance refund \$5,151,305 of outstanding Capital Appreciation Bonds with an average interest rate of 7.61%. The net proceeds of \$5,384,260 (after payment of \$86,355 in underwriting fees, insurance, and other issuance costs) plus an additional \$117,000 Debt Retirement Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Capital Appreciation Bonds. As a result, the Capital Appreciation Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$161,305. This difference, reported in the accompanying financial statements as a component of bonds payable, is being charged to operations through the year 2016 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 11 years by \$2,047,598 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$1,332,212.

As of June 30, 2007 the aggregate maturities of long-term debt for the next succeeding five years are as follows:

School Year	Principal	Interest	Total
2007-2008	\$ 400,000	\$ 195,050	\$ 595,050
2008-2009	415,161	186,401	601,562
2009-2010	430,406	173,856	604,262
2010-2011	450,664	152,348	603,012
2011-2012	502,308	140,694	643,002
2012-2013	496,215	106,046	602,261
2013-2014	515,000	81,250	596,250
2014-2015	540,000	55,500	595,500
2015-2016	570,000	28,500	598,500
Totals	<u>\$ 4,319,754</u>	<u>\$ 1,119,645</u>	<u>\$ 5,439,399</u>

NOTE F – EMPLOYEE BENEFITS – COMPENSATED ABSENCES:

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. Teachers meeting the requirements for retirement are paid \$200 per day up to 130 days of unused accumulated sick leave to be paid over three years in equal installments. Also upon retirement under the appropriate requirements the retiree is paid one month's pay based on a ten month school year at the teacher's current rate of pay excluding extracurricular pay. Other non-teaching employees are paid for sick leave based on their appropriate contract.

As of June 30, 2007 the liability for employee benefits as reported in the statement of net assets is as follows:

Sick Leave	\$ 601,168
Vacation Leave	62,418
Retirement	380,553
	<u>\$ 1,044,139</u>

NOTE G – CAPITAL ASSETS:

Capital assets activity of the School District's governmental activities was as follows:

	Balance 7/01/06	Additions/ Adjustments	Deductions	Balance 6/30/07
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 167,626	\$ -	\$ -	\$ 167,626
Subtotal	167,626	-	-	167,626
Capital assets being depreciated:				
Land improvements	460,710	13,328	-	474,038
Buildings	8,763,469	-	-	8,763,469
Equipment	2,709,187	53,185	450	2,761,922
Vehicles and buses	682,416	69,594	46,447	705,563
Construction in progress	-	22,486	-	22,486
Total Capital Assets Being Depreciated	12,615,782	158,593	46,897	12,727,478
Less accumulated depreciation:				
Land improvements	(372,584)	(6,193)	-	(378,777)
Buildings	(4,985,035)	(166,727)	-	(5,151,762)
Equipment	(2,208,128)	(120,177)	(450)	(2,327,855)
Vehicle and buses	(471,358)	(67,133)	(46,447)	(492,044)
Total Accumulated Depreciation	(8,037,105)	(360,230)	(46,897)	(8,350,438)
Governmental Activities Capital Assets, Net	\$ 4,746,303	\$ (201,637)	\$ -	\$ 4,544,666

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Unallocated	\$360,230
Total Governmental Activities Depreciation Expense	\$360,230

NOTE H – RESERVED AND DESIGNATED FUND EQUITY:

The School District designates fund equities for the following funds:

General Fund – \$100,000 is reserved for future state aid adjustments due to changes with taxable value homestead changes during the fiscal year.

School Lunch Fund – The resources of the School Lunch Fund are to be used for the school lunch program. The fund equity is reserved for this purpose.

Debt Service Funds – The resources of the Debt Service Funds have been accumulated for the specific purpose of bond and interest debt retirement. The fund equities are reserved for these purposes.

Public Library – The resources of the Public Library Fund have been accumulated for the specific purpose of operating the Munising Public Library. The fund equities are reserved for this purpose.

NOTE I – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on the weighted average of pupil membership counts taken in February and October.

NOTE I – STATE REVENUE (Continued):

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2006 – August 2007.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE J – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):

Munising Public Schools reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

		DUE FROM OTHER FUNDS	
		General Fund	Total Due To Other Funds
DUE TO OTHER FUNDS	Athletic Fund	\$ 124,986	\$ 124,986
	Total Due From Other Funds	<u>\$ 124,986</u>	<u>\$ 124,986</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. See table below.

		Transfer Out To Other Funds		
		General Fund	Public Library Fund	Total Transfers In
Transfer In From Other Funds	General Fund	\$ -	\$ 3,500	\$ 3,500
	Athletic Fund	124,986	-	124,986
	Total Transfers Out	<u>\$ 124,986</u>	<u>\$ 3,500</u>	<u>\$ 128,485</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE K – NONMONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$18,015 during fiscal 2007 in revenues and expenditures for USDA commodities.

NOTE L – PROPERTY TAXES:

The taxable value of real and personal property located in the School District at December 31, 2006 totaled \$148,245,134 (\$66,615,440 designated as Homestead and \$81,629,694 designated as Non-Homestead). The total tax levy consists of 18.0000 mills for the General Fund and 4.5 mills for debt retirement.

NOTE M – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:

Substantially all of the School District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The District was required by state statute to contribute 16.34% of covered compensation to the Plan through September 30, 2006 and 17.74% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2007 was \$785,749 which consisted of \$699,647 from the School District and \$86,102 from employees electing the MIP option. These represent approximately 17% and 2% of covered payroll, respectively. The School Districts contributions to MPERS for 2006 and 2005 were \$658,814 and \$580,369.

Payroll paid to employees covered by the System for the year ended June 30, 2007 was approximately \$4,015,357. The School District's total payroll was approximately \$4,114,686.

Post Employment Benefits – Under the MPERS Act, all retirees participating in the MPERS Pension Plan have the option of continuing health, dental and vision coverage. Retirees having these coverage's contribute an amount equivalent to the monthly cost of Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post employment health care benefits are included as part of the District's total

NOTE M – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):

contribution to the MPSERS plan discussed above.

The District is not responsible for the payment of retirement benefits and health insurance which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS, at MPSERS, P.O. Box 30673, Lansing, Michigan, 48909-8103.

NOTE N – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE O – ECONOMIC DEPENDENCY:

The School District received approximately 70 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Munising. The District's Foundation Allowance is set by the state and includes the local contribution from Non Homestead taxes. Increases in the local Non Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

NOTE P – SINGLE AUDIT:

The District's audited financial statements report a total of \$456,368 in Federal expenditures. As this amount is less than the single audit threshold of \$500,000, the District is therefore not required to have an audit in accordance with OMB Circular A-133 for the fiscal year ended June 30, 2007.

REQUIRED SUPPLEMENTAL INFORMATION

Munising Public Schools

General Fund

Budgetary Comparison Schedule

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 421,180	\$ 1,872,681	\$ 1,881,060	\$ 1,451,501	\$ 8,379
State sources	6,322,246	5,040,951	5,040,943	(1,281,295)	(8)
Federal sources	320,474	319,986	319,342	(488)	(644)
TOTAL REVENUES	7,063,900	7,233,618	7,241,345	169,718	7,727
EXPENDITURES:					
Instruction:					
Basic Programs	3,240,749	3,241,662	3,227,424	(913)	14,238
Added Needs	936,006	957,546	951,452	(21,540)	6,094
Adult/Continuing education	-	-	-	-	-
Total Instruction	4,176,755	4,199,208	4,178,876	(22,453)	20,332
Supporting Services:					
Pupil services	153,411	165,381	163,453	(11,970)	1,928
Instructional staff	379,592	158,054	157,169	221,538	885
General administration	253,918	240,803	238,510	13,115	2,293
School administration	505,772	504,326	503,399	1,446	927
Fiscal services	193,400	181,121	180,826	12,279	295
Operation and maintenance	899,448	892,843	880,625	6,605	12,218
Security	-	3,324	3,324	(3,324)	-
Pupil transportation	464,488	464,138	457,044	350	7,094
Staff services	-	27,643	27,348	(27,643)	295
Support service - technology	-	274,156	272,440	(274,156)	1,716
Total Supporting Services	2,850,029	2,911,789	2,884,138	(61,760)	27,651
Other Functions:					
Community Service	-	-	-	-	-
Custody and Care of Children	-	-	-	-	-
Total Other Functions	-	-	-	-	-
Payments to Other Governmental Agencies					
Other	12,873	3,893	-	8,980	3,893
Total Payments to Other Governmental Agencies	12,873	3,893	-	8,980	3,893
Facilities Acquisition					
Capital Outlay	-	70,527	68,889	(70,527)	1,638
Total Facilities Acquisition	-	70,527	68,889	(70,527)	1,638
TOTAL EXPENDITURES	7,039,657	7,185,417	7,131,903	(145,760)	53,514
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,243	48,201	109,442	23,958	61,241
OTHER FINANCING SOURCES					
Transfers in (out)	(124,000)	(127,300)	(121,486)	(3,300)	5,814
NET CHANGE IN FUND BALANCE	(99,757)	(79,099)	(12,044)	20,658	67,055
Fund Balance, July 1	2,513,315	2,513,315	2,513,315	-	-
FUND BALANCE, JUNE 30	\$ 2,413,558	\$ 2,434,216	\$ 2,501,271	\$ 20,658	\$ 67,055

Munising Public Schools
Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 706,478	\$ 708,478	\$ 723,536	\$ 2,000	\$ 15,058
State sources	6,511	-	-	(6,511)	-
Federal sources	-	-	-	-	-
TOTAL REVENUES	712,989	708,478	723,536	(4,511)	15,058
EXPENDITURES:					
Debt Service					
Principal	649,702	645,000	645,000	4,702	-
Interest	221,735	219,925	219,925	1,810	-
Other	5,512	5,512	5,032	-	480
TOTAL EXPENDITURES	876,949	870,437	869,957	6,512	480
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(163,960)	(161,959)	(146,421)	2,001	15,538
OTHER FINANCING SOURCES					
Transfers in (out)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(163,960)	(161,959)	(146,421)	2,001	15,538
Fund Balance, July 1	335,052	335,052	335,052	-	-
FUND BALANCE, JUNE 30	\$ 171,092	\$ 173,093	\$ 188,631	\$ 2,001	\$ 15,538

SUPPLEMENTAL FINANCIAL INFORMATION

Munising Public Schools

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local Sources:			
Unrestricted:			
Taxes and Penalties:			
Property tax levy	\$ 1,338,575	\$ 1,342,264	\$ 3,689
Other Local Sources:			
Rental of school facilities	26,800	24,640	(2,160)
Other local revenue	22,628	23,642	1,014
Income from investments	99,000	103,089	4,089
Refund on prior year expense	957	958	1
Sale of land	47,430	47,430	-
Restricted:			
Sault tribe funds	34,291	34,291	-
Special education - hold harmless	303,000	304,746	1,746
TOTAL LOCAL SOURCES	1,872,681	1,881,060	8,379
State Sources:			
Unrestricted:			
State aid	4,635,965	4,635,967	2
State Miscellaneous	75	75	
Restricted:			
At Risk	138,757	138,746	(11)
Middle school math/science	8,338	8,338	
Special Education - Hold Harmless	231,194	231,194	-
Durant payment	13,452	13,453	1
Gifted and talented	-	-	-
Vocational education	13,170	13,170	-
TOTAL STATE SOURCES	5,040,951	5,040,943	(8)
Federal Sources:			
Unrestricted:			
Schools and Roads Grant	54,121	54,122	1
Restricted:			
Title II	49,464	49,464	-
Title IX - Indian Education	44,005	44,005	-
Homeland Security	-	-	-
Strong families, safe children	10,725	10,687	(38)
Restricted - received through the state:			
E.I.C.I.A. Title I	115,722	115,722	-
E.I.C.I.A. Title V	1,824	1,824	-
Restricted - received through MARESA:			
PA 94-142 Special Education Flow through	38,547	37,939	(608)
Other	5,578	5,579	1
TOTAL FEDERAL SOURCES	319,986	319,342	(644)
TOTAL REVENUES	7,233,618	7,241,345	7,727

Munising Public Schools

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES:			
Instruction:			
Elementary:			
Salaries	\$ 967,641	\$ 967,242	\$ 399
Fringe benefits	517,937	516,687	1,250
Purchased services	9,305	8,468	837
Supplies and materials	44,071	43,677	394
Capital outlay	25,235	25,097	138
Other expenses	629	629	-
TOTAL ELEMENTARY	1,564,818	1,561,800	3,018
Middle/Junior High:			
Salaries	313,025	312,081	944
Fringe benefits	165,624	164,677	947
Purchased services	3,584	3,159	425
Supplies and materials	14,079	12,742	1,337
Capital outlay	8,000	7,768	232
Other expenses	2,200	2,199	1
TOTAL MIDDLE/JUNIOR HIGH	506,512	502,626	3,886
High School:			
Salaries	698,247	697,480	767
Fringe benefits	389,061	387,843	1,218
Purchased services	14,700	14,549	151
Supplies and materials	31,095	26,899	4,196
Capital outlay	18,231	17,316	915
Other expenses	6,195	6,130	65
TOTAL HIGH SCHOOL	1,157,529	1,150,217	7,312
Summer School:			
Salaries	9,952	9,952	-
Fringe benefits	2,530	2,527	3
Purchased services	-	-	-
Supplies and materials	321	302	19
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL SUMMER SCHOOL	12,803	12,781	22
Special Education:			
Salaries	410,976	407,653	3,323
Fringe benefits	218,841	217,250	1,591
Purchased services	2,296	2,117	179
Supplies and materials	12,850	11,927	923
Capital outlay	-	-	-
Other expenses	1,425	1,405	20
TOTAL SPECIAL EDUCATION	646,388	640,352	6,036
Compensatory Education:			
Salaries	178,997	178,994	3
Fringe benefits	85,575	85,567	8
Purchased services	2,404	2,400	4
Supplies and materials	5,970	5,968	2
Capital outlay	14,390	14,389	1
Other expenses	-	-	-
TOTAL COMPENSATORY EDUCATION	287,336	287,318	18

Munising Public Schools

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Career and Technical Education:			
Salaries	\$ 7,808	\$ 7,808	\$ -
Fringe benefits	1,960	1,959	1
Purchased services	-	-	-
Supplies and materials	14,054	14,015	39
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL CAREER AND TECHNICAL EDUCATION	23,822	23,782	40
TOTAL INSTRUCTION	4,199,208	4,178,876	20,332
Supporting Services:			
Pupil Services:			
Guidance:			
Salaries	24,357	24,356	1
Fringe benefits	15,045	15,001	44
Purchased services	-	-	-
Supplies and materials	1,030	179	851
Capital outlay	-	-	-
Other expenses	300	180	120
TOTAL GUIDANCE	40,732	39,716	1,016
Health:			
Salaries	11,560	11,558	2
Fringe benefits	2,925	2,920	5
Purchased services	-	-	-
Supplies and materials	852	330	522
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL HEALTH	15,337	14,808	529
Speech Pathology and Audiology:			
Salaries	47,794	47,784	10
Fringe benefits	28,302	28,279	23
Purchased services	-	-	-
Supplies and materials	880	846	34
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL SPEECH PATHOLOGY AND AUDIOLOGY	76,976	76,909	67
Teacher Consultants:			
Salaries	9,743	9,743	-
Fringe benefits	3,264	3,262	2
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL TEACHER CONSULTANTS	13,007	13,005	2
Other Pupil Support:			
Salaries	15,415	15,192	223
Fringe benefits	3,914	3,823	91
Purchased services	-	-	-

Munising Public Schools

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Supplies and materials	\$ -	\$ -	\$ -
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL OTHER PUPIL SUPPORT	19,329	19,015	314
TOTAL PUPIL SERVICES	165,381	163,453	1,928
Instructional Staff:			
Improvement of Instruction:			
Salaries	16,193	16,087	106
Fringe benefits	3,849	3,644	205
Purchased services	13,783	14,710	(927)
Supplies and materials	-	-	-
Capital outlay	4,119	4,119	-
Other expenses	-	-	-
TOTAL IMPROVEMENT OF INSTRUCTION	37,944	38,560	(616)
Educational Media:			
Salaries	26,782	26,628	154
Fringe benefits	9,304	9,090	214
Purchased services	3,000	2,633	367
Supplies and materials	5,940	5,188	752
Capital outlay	-	-	-
Other expenses	333	333	-
TOTAL EDUCATION MEDIA	45,359	43,872	1,487
Technology Assisted			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	8,275	8,275	-
TOTAL TECHNOLOGY ASSISTED	8,275	8,275	-
Supervision and Direction			
Salaries	51,482	51,482	-
Fringe benefits	14,994	14,980	14
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL SUPERVISION AND DIRECTION	66,476	66,462	14
TOTAL INSTRUCTIONAL STAFF	158,054	157,169	885
General Administration:			
Board of Education			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	18,652	16,381	2,271
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	4,260	4,259	1
TOTAL BOARD OF EDUCATION	22,912	20,640	2,272

Munising Public Schools

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Executive Administration			
Salaries	\$ 125,224	\$ 125,224	\$ -
Fringe benefits	88,668	88,648	20
Purchased services	-	-	-
Supplies and materials	1,190	1,190	-
Capital outlay	-	-	-
Other expenses	2,809	2,808	1
TOTAL EXECUTIVE ADMINISTRATION	217,891	217,870	21
TOTAL GENERAL ADMINISTRATION	240,803	238,510	2,293
School Administration:			
Office of the Principal			
Salaries	319,237	318,871	366
Fringe benefits	183,300	182,893	407
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	1,789	1,635	154
TOTAL OFFICE OF THE PRINCIPAL	504,326	503,399	927
TOTAL SCHOOL ADMINISTRATION	504,326	503,399	927
Business Services:			
Fiscal Services:			
Salaries	93,661	93,661	-
Fringe benefits	64,862	64,861	1
Purchased services	15,425	15,141	284
Supplies and materials	1,897	1,888	9
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL FISCAL SERVICES	175,845	175,551	294
Other Business Services:			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	5,276	5,275	1
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL OTHER BUSINESS SERVICES	5,276	5,275	1
TOTAL BUSINESS SERVICES	181,121	180,826	295
Operation and Maintenance:			
Salaries	266,031	266,004	27
Fringe benefits	133,528	133,481	47
Purchased services	130,623	130,478	145
Supplies and materials	336,974	336,473	501
Capital outlay	25,034	13,576	11,458
Other expenses	653	613	40
TOTAL OPERATION AND MAINTENANCE	892,843	880,625	12,218

Munising Public Schools

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Security:			
Salaries	\$ -	\$ -	\$ -
Fringe benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital outlay	3,324	3,324	-
Other expenses	-	-	-
TOTAL SECURITY	3,324	3,324	-
Pupil Transportation			
Salaries	200,776	199,938	838
Fringe benefits	78,376	75,541	2,835
Purchased services	46,477	43,891	2,586
Supplies and materials	67,427	66,820	607
Capital outlay	69,782	69,582	200
Other expenses	1,300	1,272	28
TOTAL PUPIL TRANSPORTATION	464,138	457,044	7,094
Staff Services:			
Salaries	-	-	-
Fringe benefits	-	-	-
Purchased services	27,643	27,348	295
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other expenses	-	-	-
TOTAL STAFF SERVICES	27,643	27,348	295
Support Services/Technology:			
Salaries	57,836	57,836	-
Fringe benefits	31,932	31,924	8
Purchased services	46,303	45,965	338
Supplies and materials	36,142	35,733	409
Capital outlay	101,943	100,982	961
Other expenses	-	-	-
TOTAL SUPPORT SERVICES/TECHNOLOGY	274,156	272,440	1,716
TOTAL SUPPORTING SERVICES	2,911,789	2,884,138	27,651
Payments to Other Governmental Agencies			
Title II, Part A - SAM Transfer	1,157	-	1,157
Americorp	-	-	-
Indirect Costs	2,736	-	2,736
TOTAL PAYMENTS TO OTHER GOVERNMENTAL AGENCIES	3,893	-	3,893
Facilities Acquisition			
Capital Outlay	70,527	68,889	1,638
TOTAL FACILITIES ACQUISITION	70,527	68,889	1,638
TOTAL EXPENDITURES	7,185,417	7,131,903	53,514
EXCESS REVENUES (EXPENDITURES)	48,201	109,442	61,241

Munising Public Schools

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2007

	Final Budget	Actual	Variance Favorable (Unfavorable)
Other Financing Sources (Uses):			
Transfers In (Out):			
Lunch Fund	\$ -	\$ -	\$ -
Athletic Fund	(130,800)	(124,986)	5,814
Public Library Fund	3,500	3,500	-
TOTAL OTHER FINANCING USES	(127,300)	(121,486)	5,814
NET CHANGE IN FUND BALANCE	(79,099)	(12,044)	67,055
Fund Balance, July 1	2,513,315	2,513,315	-
FUND BALANCE, JUNE 30	\$ 2,434,216	\$ 2,501,271	\$ 67,055

Munising Public Schools

Debt Service Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Taxes and penalties	\$ 677,071	\$ 688,534	\$ 11,463
State aid	-	-	-
Interest	31,407	35,002	3,595
TOTAL REVENUES	708,478	723,536	15,058
EXPENDITURES:			
Principal payments	645,000	645,000	-
Interest	219,925	219,925	-
Other	5,512	5,032	480
TOTAL EXPENDITURES	870,437	869,957	480
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(161,959)	(146,421)	15,538
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
NET CHANGE IN FUND BALANCE	(161,959)	(146,421)	15,538
Fund Balance, July 1	335,052	335,052	-
FUND BALANCE, JUNE 30	\$ 173,093	\$ 188,631	\$ 15,538

Munising Public Schools

Non-Major Funds

Combining Balance Sheet

June 30, 2007

	Special Revenue Funds			Total
	School Lunch Fund	Athletic Fund	Public Library Fund	
ASSETS:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable	3,125	874	13,885	17,884
Due from other funds	-	124,986	-	124,986
Inventory	5,904	-	-	5,904
TOTAL ASSETS	<u>\$ 9,029</u>	<u>\$ 125,860</u>	<u>\$ 13,885</u>	<u>\$ 148,774</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Cash overdrafts	\$ 4,643	\$ 125,860	\$ 3,248	\$ 133,751
Accounts payable	-	-	2,158	2,158
Accrued liabilities	-	-	-	-
TOTAL LIABILITIES	<u>4,643</u>	<u>125,860</u>	<u>5,406</u>	<u>135,909</u>
FUND BALANCES:				
Reserved for school service activities	<u>4,386</u>	<u>-</u>	<u>8,479</u>	<u>12,865</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,029</u>	<u>\$ 125,860</u>	<u>\$ 13,885</u>	<u>\$ 148,774</u>

Munising Public Schools

Non-Major Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2007

	Special Revenue Funds			Total
	School Lunch Fund	Athletic Fund	Public Library Fund	
REVENUES:				
Athletic activities	\$ -	\$ 53,461	\$ -	\$ 53,461
School lunch activities	135,632	-	-	135,632
Public library activities	-	-	73,238	73,238
State aid	21,207	-	-	21,207
Federal sources	137,109	-	-	137,109
TOTAL REVENUES	293,948	53,461	73,238	420,647
EXPENDITURES:				
School lunch activities	304,464	-	-	304,464
Athletic activities	-	178,447	-	178,447
Public library activities	-	-	70,052	70,052
TOTAL EXPENDITURES	304,464	178,447	70,052	552,963
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,516)	(124,986)	3,186	(132,316)
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	124,986	(3,500)	121,486
TOTAL OTHER FINANCING SOURCES (USES)	-	124,986	(3,500)	121,486
NET CHANGE IN FUND BALANCE	(10,516)	-	(314)	(10,830)
Fund Balance, July 1	14,902	-	8,793	23,695
FUND BALANCE, JUNE 30	\$ 4,386	\$ -	\$ 8,479	\$ 12,865

Munising Public Schools

School Lunch Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
School lunch activities	\$ 135,283	\$ 135,632	\$ 349
State aid	21,123	21,207	84
Federal sources	<u>139,817</u>	<u>137,109</u>	<u>(2,708)</u>
TOTAL REVENUES	<u>296,223</u>	<u>293,948</u>	<u>(2,275)</u>
EXPENDITURES:			
School lunch activities:			
Salaries	102,101	102,084	17
Fringe benefits	63,810	63,704	106
Purchased services	698	510	188
Supplies and materials	133,268	128,094	5,174
Capital outlay	9,061	8,914	147
Other expenses	<u>1,160</u>	<u>1,158</u>	<u>2</u>
TOTAL EXPENDITURES	<u>310,098</u>	<u>304,464</u>	<u>5,634</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(13,875)</u>	<u>(10,516)</u>	<u>3,359</u>
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(13,875)</u>	<u>(10,516)</u>	<u>3,359</u>
Fund Balance, July 1	<u>14,902</u>	<u>14,902</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ 1,027</u></u>	<u><u>\$ 4,386</u></u>	<u><u>\$ 3,359</u></u>

Munising Public Schools

Athletic Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Athletic activities	\$ 47,900	\$ 53,461	\$ 5,561
TOTAL REVENUES	<u>47,900</u>	<u>53,461</u>	<u>5,561</u>
EXPENDITURES:			
Athletic activities:			
Salaries	104,131	104,124	7
Fringe benefits	26,052	26,051	1
Purchased services	22,893	22,718	175
Supplies and materials	13,737	13,680	57
Capital outlay	6,717	6,716	1
Other expenses	<u>5,170</u>	<u>5,158</u>	<u>12</u>
TOTAL EXPENDITURES	<u>178,700</u>	<u>178,447</u>	<u>253</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(130,800)	(124,986)	5,814
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	<u>130,800</u>	<u>124,986</u>	<u>(5,814)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>130,800</u>	<u>124,986</u>	<u>(5,814)</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Munising Public Schools

Public Library Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Public library revenue	\$ 70,652	\$ 73,238	\$ 2,586
TOTAL REVENUES	<u>70,652</u>	<u>73,238</u>	<u>2,586</u>
EXPENDITURES:			
Bookstore activities:			
Salaries	37,979	37,932	47
Fringe benefits	11,768	11,915	(147)
Purchased services	17,522	14,854	2,668
Supplies and materials	2,569	2,446	123
Capital outlay	2,746	2,745	1
Other expenses	160	160	-
TOTAL EXPENDITURES	<u>72,744</u>	<u>70,052</u>	<u>2,692</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,092)	3,186	5,278
OTHER FINANCING SOURCES (USES)			
Transfer in (out)	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(5,592)	(314)	5,278
Fund Balance, July 1	<u>8,793</u>	<u>8,793</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ 3,201</u></u>	<u><u>\$ 8,479</u></u>	<u><u>\$ 5,278</u></u>

Munising Public Schools

Student Activity Agency Fund

Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2007

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
ASSETS				
Cash and cash equivalents	\$ 130,674	\$ 211,740	\$ 210,152	\$ 132,262
TOTAL ASSETS	<u>\$ 130,674</u>	<u>\$ 211,740</u>	<u>\$ 210,152</u>	<u>\$ 132,262</u>
LIABILITIES				
Due to others	\$ 130,674	\$ 211,740	\$ 210,152	\$ 132,262
TOTAL LIABILITIES	<u>\$ 130,674</u>	<u>\$ 211,740</u>	<u>\$ 210,152</u>	<u>\$ 132,262</u>

COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Munising Public Schools
Munising, Michigan 49862

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Munising Public Schools as of and for the year ended June 30, 2007, which collectively comprise the Munising Public School's basic financial statements and have issued our report thereon dated September 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Munising Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Munising Public School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Munising Public School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Munising Public School's financial statements that is more than inconsequential will not be prevented or detected by the Munising Public School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Munising Public School's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Munising Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results

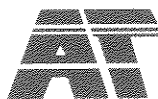
Board of Education
Munising Public Schools

of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, and Board of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 14, 2007



ANDERSON, TACKMAN & COMPANY, P.L.C.

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GREEN BAY
MILWAUKEE

September 14, 2007

Board of Education
Munising Public School
Munising, Michigan 49862

We have audited the financial statements of the Munising Public Schools for the year ended June 30, 2007, and have issued our report thereon dated September 14, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Munising Public School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed test of the Munising Public School compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Munising Public School are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Munising Public School during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Munising Public School's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Munising Public School, either individually or in the aggregate, indicate matters that could have a significant effect on the Munising Public School's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Munising Public School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the Munising Public School Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants